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## **SURVIVOR BENEFIT PLAN (SBP) Guide for a Spouse of a Military Retiree**

### **A Guide for Human Resources Specialists**

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# Survivor Benefit Plan

This fact sheet provides information to help understand the provisions of the Survivor Benefit Plan (SBP). The basic statutory provisions of SBP law are in Chapter 73, Title 10, United States Code.

The Survivor Benefit Plan (SBP) is an annuity plan created in 1972 (Public Law 92-425) to provide a degree of financial security for survivors of retired members of the Armed Forces. SBP helps make up for the loss of income when the military retiree dies and military pay stops. It pays eligible survivors an inflation-adjusted monthly income. Spouses and children of active duty members with 20 years of service are automatically covered by the plan at no cost to the member. Upon retirement, the member begins to share the cost of the plan with the government through premium deductions from retired pay.

Beneficiaries may include a participating member's spouse; spouse and children; children only; former spouse; former spouse and children, or some other person with an insurable interest in the retiree.

## **BENEFIT PAYMENTS**

The amount of the survivor's annuity is determined by the base level of coverage selected by the member. Currently the minimum base amount of coverage is \$300 and the maximum base level is the full-retired pay. Members may designate any amount between the minimum and the maximum as their beneficiary base level. The member's spouse must submit a written concurrence if the military member declines participation or elects a reduced level of coverage. The base amount and the payments to the surviving spouse will generally increase at the same time and by the same percentage that cost-of-living adjustments (COLAs) are made to retired pay.

## **SPOUSE**

SBP spouse coverage is the primary option of SBP. If the member designates the spouse as the beneficiary, the spouse would receive 55% of the designated base amount until the spouse reached age 62. Upon reaching age 62 and becoming eligible for the military earned Social Security benefits, the surviving spouse's SBP annuity will be reduced to 35% of the base amount of retired pay. At that time the spouse would also file for and begin receiving Social Security benefits. The combined annuity package of Social Security benefits and SBP that the spouse receives after age 62 is generally greater than the SBP annuity that the surviving spouse received prior to age 62. The surviving spouse may remarry after age 55 and continue to receive SBP payments for life. If the spouse remarries before age 55, the SBP payments will stop, but may be resumed if the marriage later ends due to death or divorce.

## **LOSS OF SPOUSE**

If the spouse dies first or if a divorce occurs, SBP participation and costs are suspended, not terminated. In a divorce case, spouse coverage may be converted to former spouse coverage. There is no refund of premiums.

## **CHILDREN**

Child coverage may be elected with or without spouse (former spouse) coverage. The SBP payments will be made to the child or children only if the spouse dies or remarries before the age of 55. The child or children must be unmarried; be dependents under the age of 18 (under the age of 22 if full time student). A child who is disabled and incapable of self-support remains eligible if the disability occurred before age 18 (or before age 22 is a full time student). The benefit will be 55% of the designated amount payable in equal shares to the children. This benefit will end upon reaching the age limit, death, or marriage. If former spouse and children coverage is elected, only those eligible children from the marriage between the member and the former spouse are covered.

## **FORMER SPOUSE**

Costs and benefits under this option are identical to those for spouse coverage. Election of coverage for a former spouse precludes coverage of the current spouse and/or children of the current spouse.

When former spouse coverage is elected, the current spouse must be informed. Only one SBP election may be made. If there is more than one former spouse, the member must specify which one will be covered.

When electing the former spouse option, the member must give the finance center a written statement signed by both the member and the former spouse. It must state whether the election is made in order to comply with a court order; or, whether the election is made to comply with a voluntary written agreement related to a divorce action. If this is the case, whether the voluntary agreement is part of a court order for divorce, dissolution, or annulment.

If spouse coverage is carried into retirement and later a divorce occurs, a member may continue the SBP for the now former spouse. The member must convert the SBP election from spouse coverage to former spouse coverage within one year of the divorce decree. Notification must be in writing and a copy of the divorce decree and settlement agreement must be included. This documentation must be mailed to the finance center within one year of the divorce.

Former spouse coverage may be changed after retirement to cover a new spouse, or a new spouse and children if a change to a court order relieves the retiree of a court-ordered former spouse election. A change may be made if the former spouse election was made to comply with an agreement that is not part of the court order and the former spouse agrees in writing to the requested change.

## **RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)**

A regular member of the uniformed services is automatically covered under SBP upon attaining 20 years of active service and coverage continues without any premiums until the active duty member retires. The reservist, on the other hand, does not have any standard SBP coverage for eligible beneficiaries until retired pay begins at age 60 and the appropriate SBP election has been made within 90 days upon receipt of a 20-year letter notifying a member of eligibility.

The RCSBP is a separate program specifically for Reserve/National Guard members that covers the time between receipt of the 20-year notification letter and the time military retired pay actually begins at age 60. The retirement-eligible reservist must elect one of three options.

Option A. Under this option, the member declines to make an election for or against SBP coverage until reaching age 60. There would be no protection in the years between becoming retirement-eligible and attaining age 60. Under Option A, the survivor would never receive any SBP benefits if the retired member died before age 60.

Option B. Under this option, a member can guarantee the survivor an annuity starting on the date the retiree would have attained age 60 if the retiree dies before age 60. If death is after age 60 the annuity begins the day after the date of death.

Option C. This option guarantees the survivor will receive an RCSBP annuity immediately upon the death of the retired Reserve/National Guard member, even if death occurs before age 60.

## **SOCIAL SECURITY**

The SBP is integrated with Social Security because the Federal government, as an employer, contributes to both programs on the member's behalf. The integration recognizes that the Federal government subsidizes both Social Security and SBP annuities. The government subsidy to the SBP was designed so that the member only pays for about 60% of the full cost of the SBP. The government pays the remaining 40%.

### **Two-Tier System**

When the surviving spouse reaches age 62 and the basic SBP benefit reduces from 55% to 35%, in most cases the Social Security benefit will allow the spouse to maintain a total income of at least 55% of the base amount of the SBP coverage elected. Spouses of members reaching 20 years of service after October 1, 1985 are projected to qualify for a Social Security survivor benefit equal to at least 20% of the retired pay. Thus, SBP plus Social Security survivor payments for the surviving spouse are projected to equal or exceed 55% of the base amount elected.

## **Social Security Offset**

If the member was retired or had completed at least 20 years of service on or before October 1, 1985, the surviving spouse qualifies for the offset method. When the surviving spouse reaches age 62 or older, the 55% SBP benefit is reduced by the amount of Social Security survivor benefits based only on military wages. Social Security wage credits earned through civilian employment after retirement do not affect the reduction. Civilian employment covered by Social Security will increase Social Security benefits and will result in the surviving spouse's Social Security survivor payment being even greater than the amount of the SBP offset. If qualified for the offset method, the surviving spouse's benefit will be computed using both the offset and the two-tier method. The method that provides the greatest benefit will be used unless the member waived the offset method. In no case will the SBP annuity be less than 40% of the base amount.

## **SBP AND THE GOVERNMENT PENSION OFFSET (GPO)**

For members retired or retirement-eligible on or before October 1, 1985.

The Social Security offset reduction is mandatorily applied whenever a surviving spouse is entitled to Social Security survivor benefits based on the retiree's Social Security earnings. If a surviving spouse is eligible for both an SBP annuity and a Civil Service annuity, no Social Security offset to the SBP annuity is applicable if the Social Security Administration determines that the surviving spouse is **ineligible** for Social Security survivor benefits based on the military retiree's earnings due to receipt of the surviving spouse's Civil Service retirement annuity.

The GPO can reduce the Social Security survivor benefit to zero. If the surviving spouse is still eligible for a reduced Social Security survivor benefit when the GPO is applied, the Social Security offset to the SBP annuity will be based on the actual amount of the Social Security benefit paid to the surviving spouse. This will be applied rather than to use the greater amount that might have been payable were the surviving spouse's Social Security eligibility not affected by receipt of the Civil Service pension.

For members retired or retirement-eligible after October 1, 1985.

The post 62 annuity will be computed using the second tier of the two-tier method (35%) and will have no ties to Social Security receipt or eligibility.

## **EXEMPT FROM GPO**

Federal employees, including Civil Service Offset employees, who are mandatory, covered under Social Security.

Federal employees who chose to switch from CSRS to the Federal Employees' Retirement System (FERS) on or before December 31, 1987.

Federal employees who chose to switch from CSRS to FERS during the open season between July 1, 1998 and December 31, 1998. These employees will need five years under FERS to be exempt from the GPO.

## **TAXES**

SBP costs are deducted from total retired pay and are excluded from Federal gross income. The costs are not reported as income to the Internal Revenue Service or taxed. Most, but not all, states follow the same practice as the Federal government. SBP payments to survivors are taxable, but spouses usually receive benefits when their total income is less and the extra tax exemption for being over age 65 is applicable. The surviving spouse's tax rate should be lower and long-run significant tax savings should result.

Military retirees who work as Federal civilian employees later retire from Civil Service and waive their uniformed service retired pay in order to count their active duty time for their Civil Service retirement annuity. These retirees may keep their SBP coverage, but they must send the Finance Center a monthly check to cover their SBP costs. In this case, the cost of SBP is not excluded from Federal or state income tax. This is also true of members who waived their retired pay in order to receive disability compensation from the Department of Veterans Affairs (VA).

## Address and Telephone Numbers

Military retirees should address questions regarding their pay to DFAS Cleveland Center:

Retired Pay Operations  
PO Box 99191  
Cleveland, OH 44199-1126  
1-800-321-1080  
(216) 522-5955

Survivors should report retiree deaths to the DFAS Cleveland Center's Casualty Office

Air Force, Army, Marine Corps, and Navy: 1-800-269-5170.

U.S. Coast Guard and NOAA: 1-800 772-8724

Faxes can be sent to the office at 1-800-469-6559.

Annuitants (surviving spouse) should address questions regarding their Survivor Benefit Plan or Retired Serviceman's Family Protection Plan to the DFAS Denver Center:

DFAS-DE/FRB  
6760 East Irvington Place  
Denver, CO 80279-6000  
1-800-435-3396  
Fax 1-800-982-8459  
(303) 676-6552  
Email: [DFAS-DE-FRB@cleveland.dfas.mil](mailto:DFAS-DE-FRB@cleveland.dfas.mil)

### ***Who is responsible for address change notifications?***

It is the retiree's and annuitant's responsibility to notify the appropriate servicing centers whenever their address changes. Even when pay is sent to the bank it is important to remember to keep correspondence address updated. The correspondence address is used to mail account statements, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, Form 1099R, and other correspondence from the servicing center.

Military retirees should notify DFAS Cleveland Center when they have a change of address.

Retired Pay Operations  
PO Box 99191  
Cleveland, OH 44199-1126  
1-800-321-1080  
(216) 522-5955

Annuitants (surviving spouse) should notify DFAS Denver Center when they have a change of address.

DFAS-DE/FRB  
6760 East Irvington Place  
Denver, CO 80279-6000  
1-800-435-3396  
  
Fax 1-800-982-8459  
(303) 676-6552



## WEB SITES

Detailed information may be viewed at the following web sites:

Air Force -- <http://charly.afpc.randolph.af.mil/sbp>

Army -- <http://www.odcsper.army.mil/retire>

Navy -- <http://www.dfas.mil/money/retire>

Defense Finance and Accounting Service -- <http://www.dfas.mil/money/retire>

Social Security Administration -- <http://www.ssa.gov>

Internal Revenue Service -- [http://www.its.ustreas.gov/prod/forms /index](http://www.its.ustreas.gov/prod/forms/index)

# **SURVIVOR'S CHECKLIST**

## **Priority**

- ☐ Notify the Defense Finance and Accounting Service Center. Call will generate the SBP/RCSBP annuity application process.

Army, Marine Corps, Navy and Air Force: (800) 269-5170

U.S. Coast Guard and NOAA: (800) 772-8724

- ☐ If CSRS or FERS retiree, notify OPM at (412) 794-8690. Have CSA number available.
- ☐ If deceased was retired from employment in the private sector and a retirement plan was involved, notify the pension plan administrator.
- ☐ Notify the Social Security Administration at (800) 772-1213.
- ☐ Notify all life insurance companies.
- ☐ Notify any bank and stock brokerage that holds individual or joint accounts.
- ☐ Contact your lawyer.
- ☐ If death was possibly due to a service-connected cause, contact the Department of Veterans Affairs at (800) 827-1000.
- ☐ If the deceased was a participant in any of the VA insurance programs (SGLI, VGLI, NSLI, USGLI, etc.) call (800) 669-8477 to report the death. Have policy numbers available.
- ☐ If the deceased was a CSRS or FERS retiree and participated in the Thrift Savings Plan, contact the Thrift Investment Board at (504) 255-6000.
- ☐ Contact the appropriate association for spouse assistance. Army and Air Force Mutual Aid Association at (800) 336-4538 or (703) 522-3060. Navy Mutual Aid Association at (800) 628-6011 or (703) 614-1638.

The following locations are not as time sensitive.

- ☐ Credit card companies.
- ☐ Accountant or tax preparer.
- ☐ Department of Motor Vehicles.
- ☐ City, County, and State property offices.